

Data Sheet

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| USAID Mission: | Europe Regional |
| Program Title: | Strengthening the Financial Sector |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 180-0140 |
| Status: | Program Support Objective |
| Planned FY 2005 Obligation: | \$877,000 AEEB |
| Prior Year Unobligated: | \$163,000 AEEB |
| Proposed FY 2006 Obligation: | \$400,000 AEEB |
| Year of Initial Obligation: | 1992 |
| Estimated Year of Final Obligation: | 2006 |

Summary: The purpose of activities under program support objective is the development of sound, vibrant, private and competitive financial sectors in Southeast Europe countries which promote growing financial intermediation in support of private sector development and sustainable economic growth. The focus of the regional activities is on the introduction of new products to broaden and deepen the financial sector, cross-border trading and risk management, institutional development and capacity building of financial and regulatory institutions, and anti-money laundering activities. A key element in all the programs is regional harmonization and meeting international standards to ensure faster integration of financial markets into the international financial system.

Inputs, Outputs, Activities:

FY 2005 Program: Strengthen Financial Sector Contribution to Growth (\$877,000 AEEB, \$7,390 AEEB carryover, \$155,600 AEEB prior year recoveries).

Partners for Financial Stability Expanded (PFS-E). This new regional Southeast Europe (SEE) activity is focused on practical ways to deepen financial markets and harmonize financial markets and related laws, policies, and practices in the region based on international standards. (Southeast Europe includes: Albania, Bosnia, Bulgaria, Croatia, Kosovo, Macedonia, Romania and Serbia and Montenegro). The primary PFS-E activities are mortgage finance, financial sector supervision and risk management, corporate governance, accounting/auditing, anti-money laundering, debt finance for small- and medium-size enterprises (SMEs), insurance, and pension reform. There will also be a focus on the role of the judiciary in the adjudication and enforcement of laws and regulations in these areas. Through regional workshops and assessments, the establishment of regional working groups and networks, innovative pilot programs, knowledge management and the promotion of regional private sector funds, PFS-E is designed to catalyze the private and public financial sector actors and institutions in the SEE region to promote and advocate change. It will build on the success of the original PFS program in the Northern Tier countries of Central and Eastern Europe (now European Union (EU) members) and continue to use counterparts and institutions in those countries with whom USAID worked to transfer lessons to the SEE countries.

Assessments have been conducted in the majority of the SEE countries to determine financial sector gaps and what financial sector challenges can be addressed through a regional approach. A workshop will be held in the SEE region in 2005 to discuss the findings and determine next steps. Two meetings of the South East Europe Mortgage Finance Network (SEEMFN) will be held to discuss the latest legal and policy developments in establishing a regional secondary mortgage market, regional mortgage statistical databases, regulation and supervision of mortgage lending, mortgage default insurance, and a standardized underwriting manual which will promote mortgage securities. The SEEMFN comprises public and private sector mortgage finance practitioners. This component will also finance technical expertise to support and complement mission programs and capabilities and to help manage regional activities. Contractors: East-West Management Institute (EWMI, Urban Institute, To be Determined (TBD)

(primes).

FY 2006 Program: Strengthen Financial Sector Contribution to Growth (\$400,000 AEED). The focus of activities in 2006 will be on a series of seminars/workshops and training sessions (a minimum of six) to bring together SEE public and private sector financial sector practitioners with Central and Eastern Europe and international experts. These will support such challenges to financial sector deepening and modernization as: 1) the introduction of new financial sector products, such as mortgage securities, insurance products, credit cards, and corporate bonds; 2) more effective financial sector supervision across all areas - banking securities, insurance, and pension - as the financial sector continues to grow rapidly; 3) improved anti-money laundering prevention and enforcement; 4) better accountability and governance based on a strengthened accounting and auditing profession and the adoption of new procedures; and 5) integration of SEE capital markets. Support is also expected to be provided for the development of new courses at the Training Institute for Bank Supervision at the National Bank of Poland which trains bank regulators from all over the region and to finance technical expertise to support and complement mission programs and capabilities and help manage regional activities. All of these activities are designed to promote regional financial sector integration and harmonization based on best practices and international standards. Principal contractors: TBD

Performance and Results: The Southeast Europe Mortgage Finance Network continues to meet biannually to promote the expansion of mortgage markets in the region. It has been active in promoting mortgage related legal reform in the participant countries as well as helping to standardize underwriting criteria for mortgage lending. A study has been completed analyzing the feasibility of establishing a private Southeast Europe Mortgage Fund which would help mortgage lenders access long-term financing from the Euromarkets. It concluded that such a Fund is not premature. The European Bank for Reconstruction and Development, the International Finance Corporation, and Kreditanstalt für Wiederaufbau (KfW) have all expressed interest in this concept. USAID is working actively with these organizations to make this fund a reality.

US Financing in Thousands of Dollars

Eurasia Regional

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|---|------------|------------|
| 110-0140 Strengthening the Financial Sector | ESF | FSA |
| Through September 30, 2003 | | |
| Obligations | 174 | 15,214 |
| Expenditures | 174 | 14,832 |
| Unliquidated | 0 | 382 |
| Fiscal Year 2004 | | |
| Obligations | 0 | 480 |
| Expenditures | 0 | 365 |
| Through September 30, 2004 | | |
| Obligations | 174 | 15,694 |
| Expenditures | 174 | 15,197 |
| Unliquidated | 0 | 497 |
| Prior Year Unobligated Funds | | |
| Obligations | 0 | 460 |
| Planned Fiscal Year 2005 NOA | | |
| Obligations | 0 | 88 |
| Total Planned Fiscal Year 2005 | | |
| Obligations | 0 | 548 |
| Proposed Fiscal Year 2006 NOA | | |
| Obligations | 0 | 465 |
| Future Obligations | 0 | 0 |
| Est. Total Cost | 174 | 16,707 |